

**SAP Solution in Detail**



# **SAP® GRANTS** **MANAGEMENT** **(SAP® GM)**

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## EXECUTIVE SUMMARY

Today, billions of dollars are available to grantee organizations through investment and the generosity of a multitude of governmental, private sector, and not-for-profit sponsors. Traditionally, sponsors make funding opportunities available via block grants or a competitive review process and then award those grants to organizations that submit the proposals that best meet the grantor's programs and goals. During the past several years, funding opportunities have increased minimally compared to the applicants competing for these dollars. Based on the competitive nature of the funding process, grantee organizations like yours have met the challenge by streamlining their application review and submission procedures and by developing in-house software to provide their employees with an edge in this increasingly competitive environment.

To serve this dynamic and growing market, SAP has developed a world-class grants management solution that addresses the administrative and financial requirements of sponsored program management: SAP® Grants Management (SAP® GM). SAP GM handles the requirements of grantee organizations with both pre-award and post-award functions. The SAP GM grantee solution will be made available to pilot customers in July 2002, and generally availability to U.S. and Canadian markets is planned for the third quarter of 2003. SAP GM will offer solutions to manage all facets of sponsored programs for both grantee and grantor organizations.

### WHAT IS SAP GRANTS MANAGEMENT?

SAP Grants Management maintains master data for the sponsors of an organization, which in turn relates the financial structure of the organization to the financial and administrative requirements of the sponsor.

Using SAP GM, you don't have to compromise your organizational structures or financial reporting to meet the administrative and financial requirements of your sponsors. The ability to relate organizational structures and data to sponsors is a fundamental concept of SAP GM. SAP GM also provides solutions unique to sponsored program management, such as budgeting, cost sharing and matching, billing, and indirect cost and overhead calculation, as well as closing out awards.

In keeping with SAP's fundamental principal of openness and integration, SAP Grants Management works with SAP® Logistics, SAP® Financials, and SAP® Human Resources. SAP GM also takes advantage of such SAP tools as workflow, records management, and schedule management. This combination of integration and powerful tools provides an integrated solution for managing sponsored program activities. The integrated capabilities of SAP GM enable you to manage and display your organization's financial transactions from the sponsor view according to the administrative requirements of your sponsor.

## **WHY CHOOSE SAP GRANTS MANAGEMENT?**

SAP Grants Management delivers many benefits. Because it is an open, integrated solution, SAP GM enables you to:

- Plan revenue and expenses
- Budget internal and external funding sources
- Accommodate funds availability checking for budget items
- Control postings
- Provide separate views for the financial transactions of the grantee organization and the sponsor
- Relate sponsor requirements to the financial structures of the grantee organization
- Accommodate funding period differences between the grantee organization and sponsors
- Account for currency differences
- Provide billing solutions
- Calculate indirect costs and overhead costs
- Manage grant-related documentation and transactions online
- Automate close-out procedures
- Assign responsibilities
- Provide authorizations
- Provide workflow activities

## OVERVIEW OF SAP GRANTS MANAGEMENT

SAP Grants Management helps you manage sponsored programs, such as grants, contracts, and cooperative agreements, from pre-award administration to post-award management and reporting. SAP GM consists of two key components: grantee management and grantor management. Current development efforts focus on grantee organization requirements in Canada and the United States. Future development will center on Canadian and U.S. grantor management solutions.

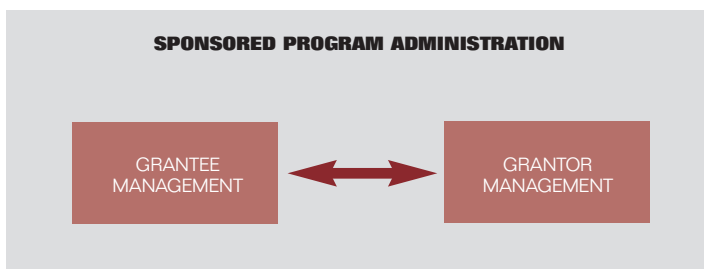


Figure 1: Sponsored Program Administration

SAP Grants Management provides a solution for sponsored programs through its functionality and its architecture. Architecturally, SAP GM maintains a separate view of your organization's sponsored program activities and projects. This separate view is created by relating your organization's structures (such as projects, general ledger accounts, cost elements, commitment items, fiscal year, and currency) to the sponsor's projects, cost and revenue categories, budget validity period, fiscal year, and currency. By creating a separate view, you can review your organization's financial activities and transactions for sponsored programs according to a sponsor's requirements without affecting the integrity of your financial transactions and activities. For example, your organization and your sponsor each maintains their own fiscal years, and the two often differ. This creates administrative and reporting challenges, and organizations often create custom reports to accommodate the fiscal year differences.

Another example involves budgeting differences between grantee organizations and sponsors. Some sponsors require more detailed budgeting, others require less. Not only do the requirements among sponsors differ, they frequently do not match the budgetary requirements of grantee organizations. These differences often require grantee organizations to compromise their budgeting structures and processes so they can effectively manage their sponsored programs according to the sponsor's guidelines. Because SAP GM creates an alternative view based on the sponsor's requirements, you can manage, control, and report on your sponsor programs.

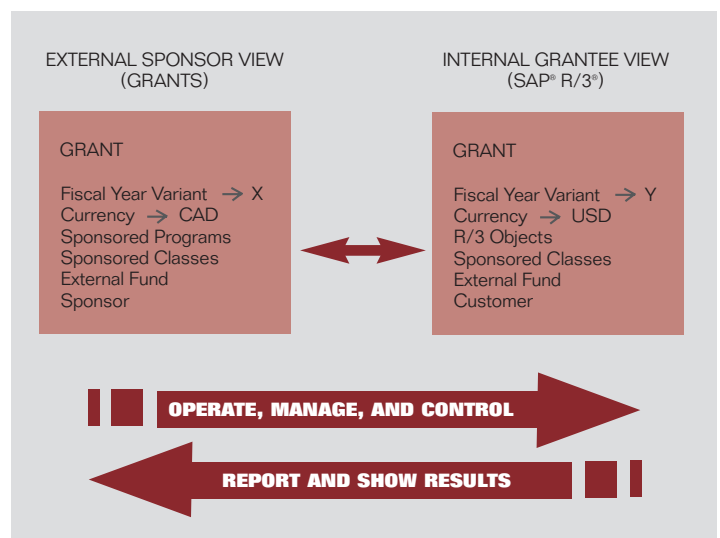


Figure 2: Grants Management External and Internal Views

SAP Grants Management also provides functions that help with other structural challenges, such as currency reconciliation and sponsor funding rules.

## MASTER DATA

SAP Grants Management's primary master data components are sponsor, grant, sponsored program, sponsored class, and fund. To support sponsored program accounting and control, SAP GM applies contractual and administrative requirements to a grant based on various combinations of each of the components. These components together correspond to sponsored objects, which represent allowable posting and budgeting objects, and they also create dimensions for managing, controlling, and reporting.

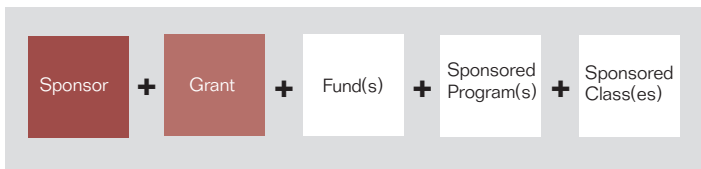


Figure 3: Grants Management Master Data

The following definitions are important to understanding SAP Grants Management's master data functions:

- A **sponsor** is an institution or individual that provides funding to a grantee organization.
- A **grant** is the funding instrument the sponsor provides and documents the funding agreement between the sponsor and the grantee organization.
- A **fund** is the type of funding – external and internal – from the grantee organization's perspective.
- **Sponsored programs** are the grantee organization's projects.
- **Sponsored classes** summarize the sponsor's expense and revenue categories.

Figure 4 illustrates the master data relationships in SAP Grants Management. The grant and sponsor maintain a many-to-one relationship. The grant and sponsored program maintains a many-to-many relationship, which means a grant can fund many sponsored programs, and sponsored programs can be assigned to many grants. Sponsors are assigned funds within a grant master record, and funds are used to distinguish between external and internal financial support for a project. In addition, funds and grants also maintain a many-to-many relationship. In summary, SAP GM master data relationships are adaptable so that they can ensure many combinations and accommodate a grantee organization's sponsored program administration requirements.



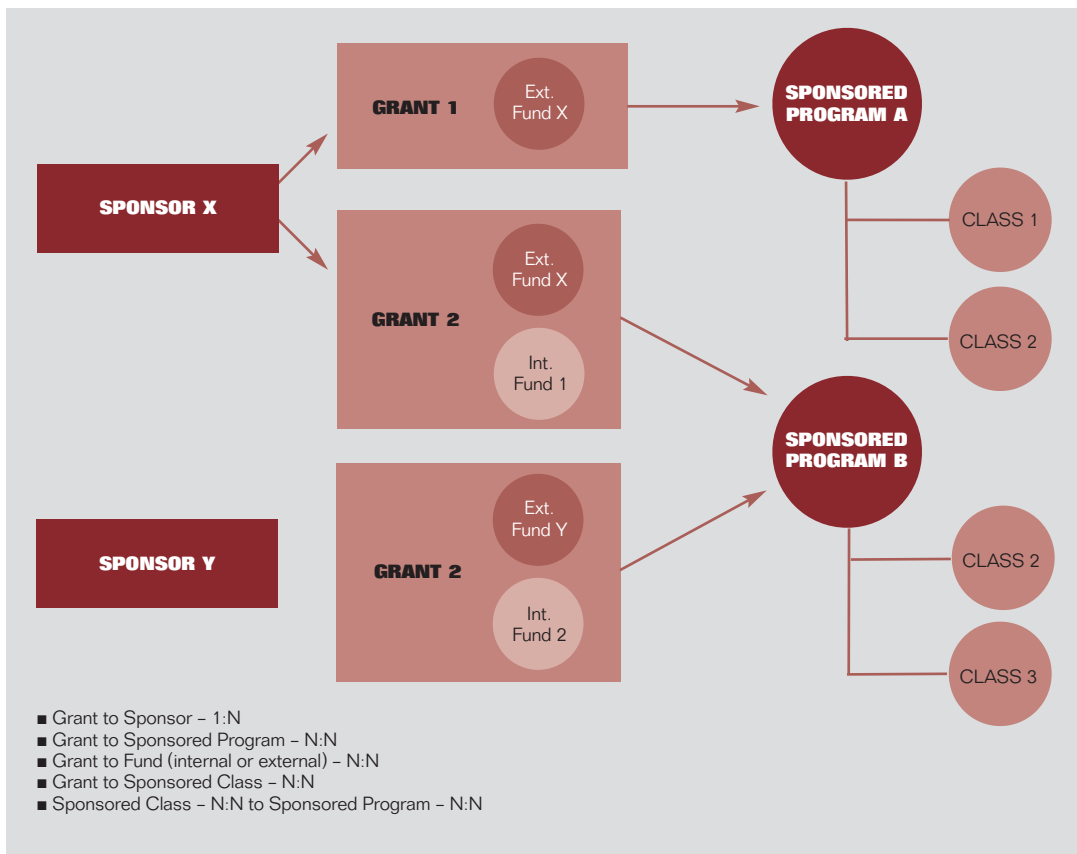


Figure 4: Grants Management Master Data Relationships

Within a grant master record, sponsor, sponsored programs, sponsored classes, and funds represent funding provided to the grantee organization. The relationships among these master data components are flexible and support the many combinations needed to satisfy the funding correlation between the grantee organization and its sponsors.

SAP® Business Partner and the SAP® Business Data Toolset (SAP® BDT), which enable flexibility and customization, support SAP GM master data components. SAP Business Partner allows you to create flexibly linked, centralized, cross-component master data records, which eliminates the need to create multiple master data records for external organizations and individuals who conduct business with your organization.

The SAP Business Data Toolset enables you to customize screens and data elements specific to your organization and sponsored program administrative requirements. SAP BDT customization provides flexibility without compromising the ability of your organization to implement routine system maintenance and subsequent upgrades.

The relationship between the SAP Business Partner application and SAP Business Data Toolset to the master data will be discussed again later in this document.

**GRANT MASTER DATA**

Grant master data supports the sponsored program business process by maintaining details specific to the pre-award process (the creation of the sponsor application) and post-award process (the administration of the award after a sponsor funds the application).

Here's an example of how the business process and life cycle of a grant work. An employee first creates a project proposal. Next, the organization reviews the proposal, approves it, and determines if external financial support is needed. The organization then creates an application and submits it to the sponsor(s). Once a sponsor approves and funds the project, the organization application becomes an award, and the organization is responsible for managing the award according to the financial and administrative requirements of the sponsor. Figure 5 provides an overview of the business process for sponsored program administration.

Within the various phases of the sponsored program process, a grantee organization assigns a status to indicate where a grant is in the business process (proposal, application, award, or closed). The status assignment can trigger workflow scenarios to route the grant and related information electronically within the organization for the necessary reviews and approvals during each of the business processes.

For example, an initial project draft begins with the status proposal. If the grantee organization approves the proposal, SAP GM can update the status to Application. Additional stages may include:

- Sent application  
When the organization mails the application to the sponsor
- Rejected application  
If the sponsor does not fund the application
- Awarded  
If the sponsor funds the application
- Closed award  
When the grant has completed its life cycle

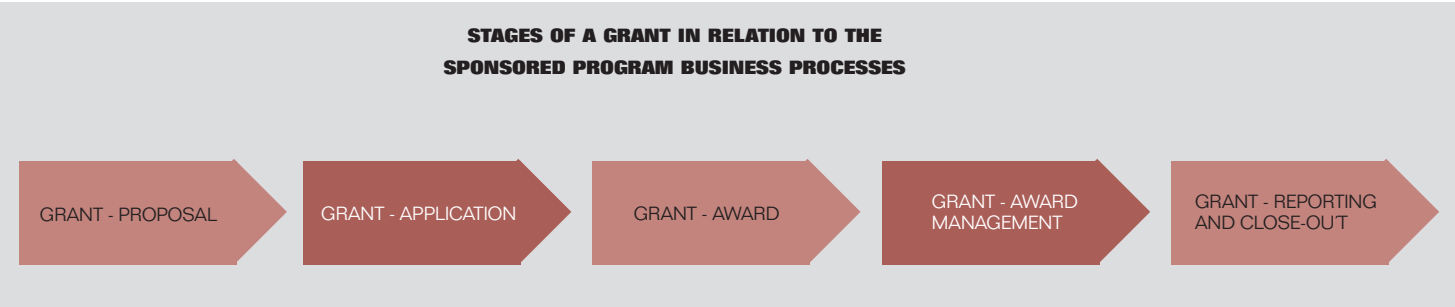


Figure 5: Sponsored Program Administration Business Process

In addition, the organization can create statuses based on its requirements. The following table lists examples of stages and actions that an organization can assign to support the sponsored program business processes.

Status	Action
Proposal	Planning: Create master data and budgeting; no postings
Application	Planning: Update/modify master data and budgeting; no postings
Sent application	No transactions allowed: Master data and budget locked
Rejected application	Return to planning phase: Update master data and budget
Pre-award	Allow business transactions before receiving sponsor award
Awarded	Update master data and budgeting to match sponsor's award documents
Closed award	Suspend new transactions; allow existing commitments to post

Table 1: Actions Related to the Grant Life Cycle

The grant master data and budgeting activities are allowed for the proposal and application planning stages. For the sent application and rejected application stages, you can restrict or block business transactions from being carried out. Thus, during a pre-award phase of a project, you can begin processing the grant based on funding that you anticipate from a sponsor.

Next, at the award level, you should convert the planning budget to the sponsor budget. This allows your organization to begin posting transactions, such as payroll, purchase requisitions, purchase orders, and invoices. Finally, the closed award status suspends new transactions, but allows continued processing of existing commitments according to sponsor administrative guidelines.

Each of these statuses provides you with the ability to view the various stages of the grant during its life cycle while controlling the transactions that your organization can perform during a specific business process.

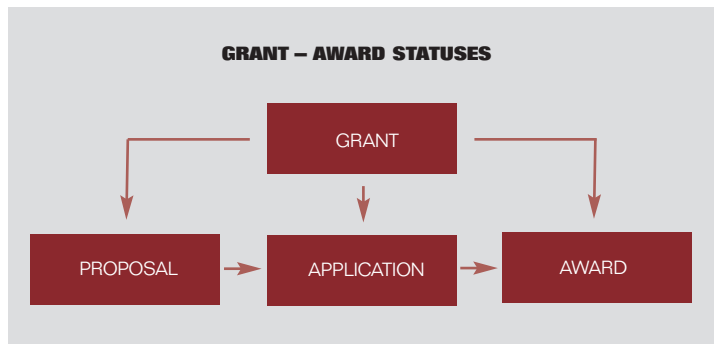


Figure 6: Grant Life-Cycle Statuses

SAP Grants Management also contains functions for tracking revisions and updates for both the pre-award and post-award processes. It accomplishes this by assigning versions to the object being modified and maintains a log of these modifications for subsequent review and historical purposes.

The grant also maintains SAP GM business objects. These business objects include funds (or funding sources), sponsored programs, and sponsored classes. SAP GM can accept default values for these business objects from the sponsor master data and update the data as needed based on the requirements specific to the sponsor award.

The sponsored objects for the grant originate from the sponsored program, sponsored class, and fund dimensions and the relationships to other SAP data structures. These dimensions also provide control for posting combinations when planning, budgeting, and recording actual postings to the grant. In addition, SAP GM can classify postings as actual or statistical, block postings for processing, and control postings using validity dates. A grant also maintains administrative information relative to an organization and grantor.

Examples of administrative data include:

- The start and end dates of the award period
- Responsible person, such as the program manager
- Responsibility type, such as the principal investigator
- The start and end dates of the budget period
- Administrative management and contact information

Along with SAP Business Partner, SAP Grants Management uses the SAP Business Data Toolset with grant master data. SAP BDT allows you to make screen and database enhancements so that you can add master data within the grant. This function enables an organization to capture data specific to its business requirements with no negative impact on the system from support packages and future upgrades.

### **Pre-Award Costs**

Pre-award costs represent the expenditure of funds before you receive funding for a project. In such cases, a sponsor confirms funding of a project prior to receiving confirmation or you anticipate a project will receive funding so the project is started. In each case, you anticipate reimbursement for outlays prior to the official start of the project. Therefore, you need the ability to begin managing a project considering the sponsor's guidelines. Based on such requirements, many organizations and sponsors develop specific rules governing pre-award costs. SAP Grants Management can help you manage grants that pre-award costs with the following options:

- Grant life-cycle statuses
- Posting objects
- Budget release
- Budget tolerances
- Billing

You can place restrictions on a grant's posting objects. For example, you could place restrictions on issuing purchase requisitions, purchase orders, funds reservations, and payments. These types of transactions are controlled using SAP value types. In addition, you can control pre-award costs using budget releases and tolerances to limit your organization's expenditures. Budget releases refer to the budget amounts recorded to an object (such as a grant) that is available for consumption. Tolerances are used to compare the budget of an object to the amount consumed or posted to that object. A sponsor could also control billing and reimbursement requests by blocking your ability to submit invoices as a whole or for specific expenses. Finally, you can use life-cycle statuses to indicate the stage of the grant within your organization's business processes. You can use each of these solutions independently or in tandem to manage the pre-award cost requirements.

### **Pass-Through Funding**

SAP Grants Management supports pass-through funding scenarios. Pass-through funding refers to grants that are awarded to a grantee organization that the grantee then distributes to third-party business partners. The grantee organization, therefore, is not directly responsible for the expenditure of these funds. A common example of a pass-through funding is a block grant, whereby a sponsor awards a block of funds to a grantee organization, which then distributes it to other applicants based on specified criteria, such as demographics.

Subgrants are another example of pass-through funding. Sponsors manage subgrants differently from block grants in that they pass along their requirements to subsequent grantee organizations. In addition, sponsors may base distribution to subgrantees on an application process and not on specified criteria.

SAP Grants Management also supports recipient pass-through funding. For example, if you receive financial aid for student loans, you would have to distribute the funds to qualified beneficiaries and report such activities as principal and interest payments and student demographics to the sponsor.

Pass-through funding scenarios include:

- Welfare programs
- Affordable housing programs
- Small business loans
- Unemployment programs
- Student loans

Pass-through functionality will not be available in the initial release, but it is a priority within the future development plan.

### Program Income

Program income is revenue that a grantee organization earns that is attributable to a sponsor-supported project or project activity. The sponsor's guidelines determine how your organization accounts for program income. For example, you may or may not have to use program income to offset sponsor funding. Similarly, your organization may or may not need to track or report program income. Regardless of sponsor requirements, you should monitor sources of revenue and record program income transactions according to your business requirements.

You can use SAP Grants Management to monitor and track program income in a variety of ways. Using a derivation rule, SAP GM can create and map a sponsored class to your organization's general ledger accounts, commitment items, and cost elements. SAP GM can also map cost elements and cost objects, such as cost centers, work breakdown structure (WBS) element, and internal orders, because some organizations treat program income not as revenue, but as an offset to expenses.

After completing the mapping for derivation, SAP GM then records program income postings to accounts and posting objects, and, based on the mapping, records them to the SAP GM sponsored program. In addition to recording program income transactions, SAP Grants Management can also plan and budget program income. Program income can be budgeted directly in SAP GM or, through integration with other SAP® R/3® components, budgeted elsewhere and transferred to a SAP GM budget posting. Based on your approach and the management of program income, reporting of the transactions, and budget, SAP GM can satisfy both the sponsor's and grantee organization's requirements.

### SPONSORS

SAP Grants Management maintains sponsors through SAP Business Partner, which records all information about organization sponsors. The following table lists the attributes and data elements for SAP Business Partner.

Attributes	Data Elements
<ul style="list-style-type: none"> <li>■ Field status control</li> <li>■ Extensibility/flexibility</li> <li>■ Change documents</li> <li>■ Document management</li> <li>■ Where-used functionality</li> <li>■ Time dependency</li> </ul>	<ul style="list-style-type: none"> <li>■ Grant types</li> <li>■ Currency</li> <li>■ Billing rule</li> <li>■ Cost-sharing rule</li> <li>■ Indirect cost rule and rate</li> <li>■ Sponsored programs</li> <li>■ Sponsored classes</li> <li>■ Funds</li> <li>■ Multiple addresses</li> </ul>

Table 2: Attributes and Data Elements for SAP Business Partner

Sponsor master data can also serve as default values for grant master data. SAP Grants Management records default values in the sponsor master data screens and imports these values to the grant master data screens when creating a new grant object. SAP GM can save or update the default values based on your organization's requirements and the grant's requirements, which means the sponsor default values serve only as a starting point when users create a grant master record. Examples of the grant default data elements related to the sponsor include:

- Sponsored programs
- Sponsored classes
- Cost-sharing details
- Indirect cost calculation details
- Fiscal year variant
- Currency
- Budgeting split rule and fund

In addition to SAP Business Partner, SAP Grants Management uses the SAP Business Data Toolset with the sponsor master data. SAP BDT enables screen and database enhancements so you can add master data within the sponsor. As with the grant master data, this function enables you to capture data specific to your business requirements without negatively affecting the system in terms of support packages and future upgrades.

### Grant Types

The grant type is a key master data element that allows you to manage grants and to meet both the sponsor's requirements and your own. Grant types are recorded in sponsor master records, which are used in conjunction with the grant to describe and control a grant's behavior. First, if a grant is created and assigned to a sponsor, only grant types recorded in the sponsor master record can be selected with the new grant master record. In addition, grant type is a customizable feature so you can create as many grant types as needed to classify and describe your organization's grants.

Grant type offers the following functions:

- Classifying grants into categories
- Automatic or manual numbering for grant master records
- Budgeting strategies
- Field status variants for indicating master data elements are required, optional, display only, or suppressed
- Grant status and the influence on postings and field status variants
- Integration rules
- Sponsor rules for indirect costs or overhead posting
- Records management templates

An example of one of the uses of grant type would be the field status control to manage a data element in the grant master data. Using the field status variant, you can classify a data element as mandatory, optional for completion, displayed only, or suppressed. You can also use this function with a grant life-cycle status, such as draft, proposal, application, and award. This allows you to further customize grant master data elements when restricting, displaying, and suppressing certain data elements when creating a grant during any of an organization's grant life-cycle statuses.

### **SPONSORED PROGRAM MASTER DATA**

Sponsored program master data identifies a sponsor's program or project and links it to your internal projects. Details, such as responsible person, legislative code, budget objects, funds center, and functional area are stored in the program master data. Funds center and functional area create a link between SAP Grants Management and SAP® Funds Management (SAP® FM), enabling you to relate the sponsor's budget and posting data in SAP GM to your organization's budget data in SAP FM. The section entitled "Budgeting" provides additional information on integrating SAP Funds Management and SAP Grants Management.

Within SAP Grants Management, the sponsored program collects transactions for accounting and reporting purposes for the sponsor. Multiple grants can fund a sponsored program, which can link to one or more cost objects, such as cost center, internal order, WBS element, and funds center, or one grant can fund many sponsored programs. This many-to-many relationship enables you to maintain your own internal projects independent of the funding sources and still fulfill the sponsor's administrative and reporting requirements.

SAP Grants Management also enables organizations to record sponsored programs in the sponsor master data and to serve as default values for the grant master data. Based on the relationship of the sponsor to a grant, SAP GM can select the sponsored program defaults and import them into the grant from the sponsor master data. These default values, however, merely serve as a starting point when assigning the sponsored programs to a grant.

In addition, SAP Grants Management enables you to indicate in the sponsor master data whether users can select other sponsored programs that are not included in the sponsor master data. This feature allows users to select other sponsored programs based on the organization and sponsor requirements.

### **SPONSORED CLASS MASTER DATA**

Sponsored class master data records sponsor budget by revenue and expense classifications. When a sponsor funds your application, typically the award documents include a budget summarized by expense category. For example, sponsored classes are used to relate your general ledger accounts, cost elements, and commitment items to the sponsor revenue and expense categories. A sponsor may fund a grant providing a budget for personnel, supplies, travel, and equipment expenses and require your organization to manage and report the financial activities of the grant based on these budgeted expense categories.

Accordingly, you would create sponsored classes for each expense category and assign the sponsored classes in the grant master data. Afterwards, general ledger accounts and cost elements would be assigned to the sponsored classes and as transactions are recorded to the general ledger accounts and cost elements, the sponsored classes would be derived and recorded to the SAP GM ledgers.

This enables you to record financial transactions according to your business requirements and reflect the transactions in the grant's sponsored classes according to the sponsor's requirements. A sponsored class is a key data element used to relate the sponsor requirements to the financial structures of your organization, thus providing your organization's transactions in the sponsor view. Also, the integrity of the financial structures of your organization is maintained by deriving the sponsored class for the existing posting objects of your organization.

Sponsor class master data include details, such as description, type, an indicator for billing, commitment item group, and commitment item. Commitment item group and commitment item create a link between SAP Grants Management and SAP Funds Management so you can relate the sponsor's budget and posting data in SAP GM to your organization's budget data in SAP FM.

Like sponsored programs, you can also record sponsored classes, which serve as default values for the grant master data, in the sponsor master data. Based on the relationship of the sponsor to a grant, you can select the sponsored class defaults and import them into the grant from the sponsor master data. These default values, however, merely serve as a starting point when assigning the sponsored programs to a grant. SAP Grants Management also enables you to indicate in the sponsor master data whether it is possible to select other sponsored classes that are not included in the sponsor master data. This feature lets you select other sponsored classes based on organization and sponsor requirements.

## BUDGETING

Budgeting plays a significant role in the administration of sponsored programs. It also plays an important role in fulfilling both the sponsor's and the grantee organization's management and reporting requirements. You can record revenue and expense budget data to support both the pre- and post-award stages of sponsored program management. Using SAP Grants Management, budget data is entered and maintained from the sponsor's perspective. For example, budget data is entered into the sponsor's currency and the time period as required for the sponsor's reporting requirements. You can also enter budget data for various life-cycle statuses of the grant. That means you can enter budget data for a project's planning phase (proposal status) and then maintain and update it as needed for the remaining phases (application and award).

Grant budgets are entered using the following dimensions: grant, funds, sponsored programs, sponsored classes, and time slice. The grant is the primary budgeting object, and the fund is the source of external or internal funding. In addition, the sponsored program identifies a sponsor's programs or projects, and the sponsored class maintains the sponsor's budget at an itemized revenue and expense category level, such as personnel costs, supplies, and equipment, as well as revenues.

### TIME SLICES

You can record budget data in a variety of ways during the life of a grant. You can enter a budget for the total amount funded and release it all at once or periodically, perhaps monthly, quarterly, or annually. The ability to enter the entire budget and to use a release strategy provides control over when the budget is available for consumption during the life of the grant. You can also enter budget data based on the sponsor's fiscal year and your own. Based on this requirement, time slices are created to facilitate the budgeting process. For example, say a sponsor funds a grant for a two-year period (from April 1, 2001 to March 31, 2003) and requires that the grantee manage and report the funds according to the sponsor's fiscal year. The sponsor's fiscal year runs from January to December, but the grantee organization's fiscal year is July to June.

The time slices would be as follows:

- April 1, 2001 to December 31, 2001
- January 1, 2002 to December 31, 2002
- January 1, 2003 to March 31, 2003

The time slices concept allows you to enter the grant budget data according to the sponsor's administrative and reporting requirements. Through integration with SAP Funds Management, you can also manage the grant according to your organization's financial structure and fiscal year.

Figure 7 demonstrates the time slices concept as it relates to SAP Grants Management from an external, sponsor's perspective and as it relates to SAP Funds Management from an internal, organization's position.

As stated before, SAP Grants Management enters grant budgets in the grant currency, which can differ from that of your organization. To address this discrepancy, SAP GM records your organization's actual postings in SAP GM tables using the grant currency or the currency required by the grant administrative guidelines. SAP GM tables make it possible for you to compare the SAP GM budget and your organization's actual transactions in the sponsor's currency. Currency translations using your organization's currency translation information and procedures supports this functionality.





Consider the following example for using unreleased and released budgets: A splitting rule is configured so that the proposal and application are entered using the Unreleased status, but a budget entered for the award is entered with both an Unreleased and Released status. Thus the budget postings entered for the proposal and application budgets are not used for evaluating the grant's funds availability. Because the award budget postings can be entered with a status of Unreleased and Released, the award budget can be entered in its entirety, though only the released portion of the budget is used for determining the funds available for consumption. Thus, if a sponsor awarded a five-year grant and authorized annual budgets, you could then enter the entire five-year award as Unreleased and then Release the sponsor's authorized amounts on an annual basis. The ability to control budget consumption using the unreleased and release statuses provides the grantee the ability to track and management sponsor budgets not only for the current authorized amount, but also awards in their entirety.

### **COST SHARING AND INDIRECT COSTS**

SAP Grants Management allows you to view the impact on cost sharing and indirect costs (IDC) for the duration of the grant. Because grant budgets are recorded by the grant's dimensions (grant, funds, sponsored programs, sponsored classes, and time slices), the requirements for cost sharing and indirect costs are readily available for online review and evaluation. In addition, the budget detail screen displays the grant's values for cost sharing and indirect costs maintained in the grant master data. The budget detail screen calculates and displays the related cost sharing and indirect costs amounts as budget data is entered to the grant. As SAP Grants Management records the grant budget data by budgeting dimensions, it provides an online view of data. This data can be updated and serves as a starting point for the budgeting process.

### **SPENDING RULES**

Budgeting is important in administering a sponsor's spending rules in coordination with availability checking. The grant budget and availability checking help monitor spending to ensure that a grantee spends funds according to a sponsor's spending rules. SAP Grants Management performs availability checking to monitor the postings and works in conjunction with the grant, fund, sponsored program, and sponsored classes.

SAP Grants Management also lets you decide whether to enforce spending rules flexibly or stringently. For example, a sponsor may establish tolerance rules so that the system sends a warning or error message if a transaction exceeds the sponsor's budget. Similarly, you can establish a tolerance rule so that the system generates a warning message after 80% of the award's budget is consumed or prohibits additional transactions after 105% of the budget is exceeded.

### **TOLERANCE RULES**

Like spending rules, the tolerance rule function is flexible so you can customize it to meet the needs of your organization and sponsor requirements. In conjunction with tolerance rules, SAP® Business Workflow can send electronic notifications to keep the management personnel informed of the transaction and the impact on the grant budget.

SAP Grants Management maintains a sponsor's availability checking and tolerance rules, whereas SAP Funds Management maintains an organization's availability checking and tolerance rules. The separation of the tolerance rules enables you to manage the availability of funds at the sponsor and organization levels independent of each other.

## REPORTING COST SHARING BUDGETS

Another budgetary requirement is sponsor cost sharing. SAP Grants Management allows you to use different funding sources to record a grant and sponsored program, indicating the cost sharing requirements.

For example, if a sponsor funds a grant that requires 25% cost sharing, the system records the sponsor budget using an external fund associated with the sponsor and the cost sharing budget using an internal fund associated with the organization. Thus, SAP GM records the grant budget in total, including the cost sharing budget, whereas the use of internal and external funds allows you to distinguish between your cost sharing budget and the sponsor budget. Functions to satisfy cost sharing requirements are addressed in greater detail in the section entitled “Overhead Costing: Indirect Cost Calculation.”

## BUDGETING AND REPORTING

Budget details and actual postings recorded to SAP Grants Management transaction tables assist with sponsor and organization financial reporting. As noted above, SAP GM records the organization postings in transaction tables, which ensures that each relevant component, such as SAP® Human Resources, SAP® Materials Management, SAP® Controlling, SAP® Financials, SAP® Project Systems, or SAP FM, records the actual transaction from the perspective of the sponsor. This addresses the requirement that the financial activities of your organization must remain separate from any external sponsor requirements and supports the internal and external view of transactions related to your sponsored program activities.

## BUDGETARY CEILINGS

Using SAP Grants Management, an organization with limited resources can manage its sponsored programs with budgetary ceilings. Establishing budgetary ceilings helps you monitor the amount of external funding that your organization receives and ensures that you do not accept more funding than you can adequately manage. Because SAP Funds Management maintains your budget information, budget data from SAP Grants Management coordinates with SAP FM to ensure ceiling amounts are imposed. Figure 8 illustrates an example in which an organization has established an overall budget for education and research, which creates a ceiling from which it can manage its sponsored program activities.

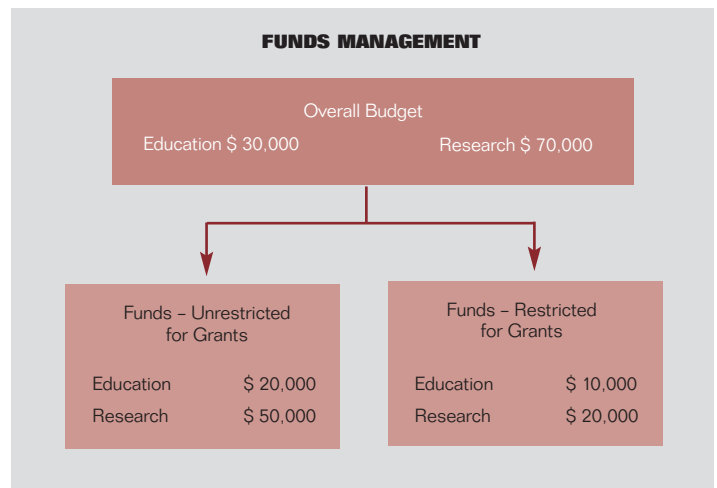


Figure 8: Grants Management Budget Ceilings

**PLANNING PROCESS**

SAP Grants Management will be integrated with other SAP R/3 components and will support the overall planning process. With this type of integration, you enter and update data in one place, and data automatically flows to SAP GM and other components.

Figure 9 outlines the planning sources that will contribute to the SAP Grants Management planning and budgeting process. The sources include SAP® Human Resources, SAP® Funds and Position Management (SAP® FPM), SAP Controlling, SAP Project Systems, and SAP® Budget Preparation. These components help plan the revenues, resources, and expenses of the proposed project and then transfer this planning data to SAP Grants Management. This means you can enter planning data just once and make adjustments as required during the planning process. Adjustments to planning data also update related data in other SAP R/3 components.

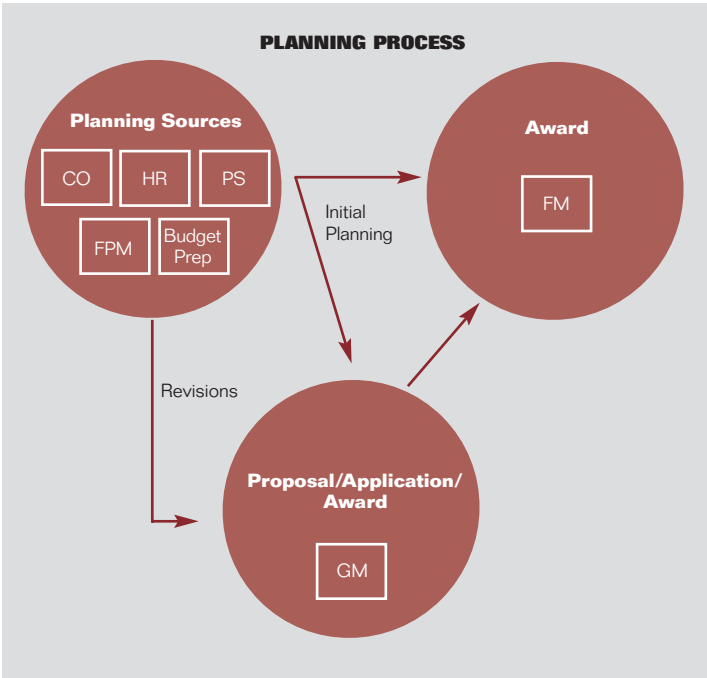


Figure 9: The Grants Management Planning Process

**FUNDED PROGRAMS**

As part of the forthcoming SAP R/3 Enterprise, SAP will introduce a new dimension called “funded program” into SAP Funds Management. Funded Programs have an operational purpose with a defined time frame and vary from simple activities to complex projects. Funded Programs can cross an organization's fiscal years, funding sources, and organizational units.

The relationship between the SAP Funds Management funds center and commitment item and between the funds center and fund is similar to the relationship between funded program and commitment item and between funded program and fund. This dimension will enable you to record budget, control postings, and follow the performance of internal projects. For example, if you were renovating an existing facility, you could create a funded program in SAP Funds Management called “renovations” to follow the financial performance, as well as to record and monitor the budget and postings. In SAP Grants Management, you could use this new dimension by mapping the SAP GM sponsored program to the SAP FM funded program dimension.

This new dimension will have a positive impact on SAP Grants Management by allowing you to budget and monitor activities of the sponsored programs in SAP GM to your organization's internal activities in SAP FM. Thus funded programs add another level of detail to your organization's internal view of its operations, and they relate the details to SAP Grants Management.

## BILLING

Your organization probably encounters several billing scenarios, so it needs a flexible billing tool to satisfy various sponsor requirements. You obtain reimbursements for sponsored programs in many different ways: cost reimbursement (monthly invoices, quarterly invoices, or sponsor letter-of-credit accounts), scheduled payments (monthly, quarterly, or milestone payments), and advance payments (billing plans). Sponsors may require your organization to submit invoices on a cash or accrual basis, or they may even permit your organization to invoice encumbrances and expenses. In addition, special billing requirements, such as letter-of-credit scenarios, are also part of the SAP Grants Management billing functions.

SAP Grants Management will also provide a cash management solution to ensure that an organization receives funds that are consistent with its cash disbursements to vendors. This feature will incorporate the requirements of the U.S. Cash Management Improvement Act (CMIA). Currently, this functionality is not available, but it will be included in the future.

### RESOURCE-RELATED BILLING

SAP Grants Management uses the resource-related billing functionality, as well as the resource-related billing with down payment capability to prepare invoices and manage sponsors' receivable accounts. Resource-related billing is a flexible billing tool that can identify billed versus unbilled expenses and generate invoices for unbilled expenses related to a grant. To accomplish this, resource-related billing uses a billing delta that compares the cumulative expenses to the expenses for which you have already submitted invoices and then creates a new invoice reflecting the new expenses.

Resource-related billing can generate invoices for a specified time period, such as monthly, quarterly, or other periods as required by sponsors. Resource-related billing can also generate invoices for nontraditional billing periods that do not begin on the first or last day of the month. This function permits many billing period combinations, enabling your organization to produce invoices based on its requirements, as well as the sponsor-defined billing rules.

Resource-related billing can generate invoices on a cash or accrual basis and invoice for various transaction types, such as commitments (for example, encumbrances), invoices, or actual payments. In addition, the blocked invoice feature can suppress an invoice document if the sponsor does not require one.

SAP Grants Management offers settings in master data to control expenses that you can submit to the sponsor for reimbursement. In the grant master data, SAP GM selects and assigns sponsored classes. It can activate the sponsored class for billing based on the grant or sponsor's requirements.

This feature also enables you to block transactions associated with a grant and grant sponsored class. It allows you to select grant transactions during the billing process. For example, if a sponsor prohibits or temporarily suspends employee fringe benefit costs, you can create a sponsored class, assign it to the grant, and indicate that the class is not billable. This master data setting permits you to post the expense to the grant, but does not include the expenses in the sponsor's invoice. In addition, this feature will create sponsor receivable entries during the invoicing process. A sponsor or sponsor program can maintain sponsor receivable accounts, and you can determine how to manage the receivables process.

SAP Grants Management supports Application Link Enabling (ALE) and electronic data interface (EDI) for sponsors that support these protocols so organizations can communicate electronically with sponsors and share financial and administrative information regarding the sponsor's projects. The billing solution also provides a printing and distribution function to help you prepare the sponsor invoices.

# OVERHEAD COSTING: INDIRECT COST CALCULATION

You face numerous indirect cost calculation scenarios. SAP Grants Management offers a solution specifically for sponsor overhead costing, also known as indirect cost calculation (IDC), to address the varied requirements. In addition to standard functions, SAP Controlling offers an overhead allocation function that you can use for overhead costing. This allows you to choose from three methods to allocate and manage your IDC allocations: the SAP Grants Management indirect cost calculation program, standard functions in SAP Controlling, or a combination of the two methods. This section provides an overview of the indirect cost calculation program designed specifically for SAP Grants Management.

The sponsor master data initially maintains rules and rates for calculating indirect costs, which then default to the grant master where you can make modifications. This information defaults to the budgeting data entry screen when the grant budget is created. The grant master data maintains IDC rates for each sponsored class to calculate the indirect cost expense based on the sponsor and grant's guidelines. In addition, assigning IDC rates to the grant's fund, program, and sponsored classes offers multiple calculation scenarios. You can retrieve this data later when creating the grant's budget. For example, a grant delivers funds for personnel, supplies, and equipment, which are sponsored classes or cost categories, and provides indirect cost funding at a 10% rate for personnel costs only. Table 3 illustrates the IDC allocation method.

Sponsored Class	Sponsor Budget	Indirect Cost Rate	Total Budget
Personnel	\$100,000	10%	\$110,000
Supplies	25,000	0%	25,000
Equipment	50,000	0%	50,000

Table 3: Indirect Cost Calculation Example

In this example, IDC applies to the personnel sponsored class only, so as actual postings accrue to the transactions mapped to the sponsored class personnel, indirect costs are calculated. In contrast, as actual postings accrue to the other sponsored classes (supplies and equipment), indirect costs are not calculated. Because SAP Grants Management enters the IDC rate at the sponsored class level, different indirect cost rates apply to provide additional flexibility for more complex IDC calculations.

In another example, a sponsor's indirect cost rate is 10% for personnel, 5% for supplies and services, and 0%, or no indirect costs, for equipment. Therefore, SAP Grants Management assigns indirect cost rates to the sponsored classes as shown in Table 4.

Sponsored Class	Sponsor Budget	Indirect Cost Rate	Total Budget
Personnel	\$100,000	10%	\$110,000
Supplies	10,000	5%	10,500
Equipment	50,000	0%	50,000

Table 4: Indirect Cost Calculation Example

Because SAP Grants Management makes postings to the respective sponsored classes, the tool calculates indirect costs using the rate assigned to the sponsored class.

Assigning indirect cost rates at the grant fund, program, and sponsored class levels accommodates conventional sponsor indirect cost calculation methods, such as indirect cost base methods like total direct costs (TDC) or modified total direct costs (MTDC). Using one of the base methods requires that you apply a single indirect cost rate to a specified group of costs.

For example, MTDC base excludes expense categories, such as equipment, education, and patient care costs, from the calculation of indirect cost expenses. To accomplish this, SAP Grants Management applies the indirect cost rate to the sponsored classes included in the indirect cost base. So as users make postings to the grant, SAP Grants Management calculates indirect costs based on the rates assigned to the sponsored classes.

You can execute the SAP Grants Management indirect costs calculation at any time based on your organization's requirements. For example, if your organization invoices its sponsors periodically throughout the month, you can execute the indirect costs calculation program to include your organization's IDC earned for the billing period. A dynamic selection function enables you to select specific grants or ranges of grants, as well as to designate the calculation period and the posting date. You can also execute the program in test mode to provide an overview of the accounting entries, as well as detailed help messages to assist with completing the calculation. These features make the IDC calculation program user friendly and flexible enough to support your organization's IDC requirements.

SAP Grants Management also supports IDC fund recovery, which is the recording of revenue postings. The grant master data maintains this information and records the IDC revenue and expense general ledger accounts. The tool also enables you to specify multiple funds, if required, for recording revenue. Validity periods and dollar amount or percentage can control distribution of revenue to your organization's funds.

In addition to the dollar amount and percentage, financial ceilings, or caps, can further limit the amount of IDC revenue posted to your organization's fund. A cap can also manage the IDC revenue and control IDC expenses. SAP Grants Management accomplishes this by assigning a dollar amount to each of the sponsored classes so that as it calculates IDC for a sponsored class, it compares the expense to the cap recorded to determine if you can post the expense. If you exceed a cap, IDC expense will post up to the cap amount, though SAP Grants Management will also maintain a record of IDC earned. The grant budget can also control IDC expense, so SAP Grants Management can manage the amount of IDC expense in total or by sponsored class.

All in all, calculating indirect costs with SAP GM is flexible and can help you manage the requirements for both straightforward and complex scenarios involving indirect costs.

# COST SHARING OR MATCHING GRANTS

Cost sharing or matching represents the portion of total project costs that your organization must contribute to and fund internally. Some sponsors have mandatory cost sharing requirements for all or certain types of sponsored programs. Also, there are voluntary cost sharing arrangements in which an organization contributes to the project's expenses even though there is no requirement to do so.

Because cost sharing or matching requirements vary from sponsor to sponsor, a system must be flexible enough to comply with varied guidelines. SAP has developed functions for fund accounting and includes posting objects fund and functional area. This function accommodates cost sharing transactions and allows you to easily identify cost sharing transactions.

To start, SAP Grants Management documents a sponsor's cost sharing requirements on the sponsor's master record. Next, when a grant is created, the cost sharing data defaults from the sponsor master data. Based on the grant's requirements, SAP Grants Management either leaves the grant's cost sharing information unchanged or updates the information. This default feature provides a starting point for you to create the grant master record. And because you can amend the data, you can capture the sponsor's cost sharing requirements for each grant.

Most important, SAP Grants Management creates funding dimensions in the grant master record, recording both external sponsor and internal organization funds in the funding dimensions. The funds, in conjunction with sponsored classes and sponsored programs, create posting combinations for recording business transactions to the grant. Users employ external funds to record expenses attributable to the sponsor and internal funds to post expenses associated with your organization's cost sharing requirements.

You can also use multiple internal funds to provide the resources needed to fulfill a sponsor's cost sharing requirements. Because SAP Grants Management records transactions to the grant, the fund indicates whether the line item is attributable to the sponsor or organization. This internal and external funds function allows your organization to record cost sharing transactions and meet the sponsor's and your organization's cost sharing reporting and billing requirements.

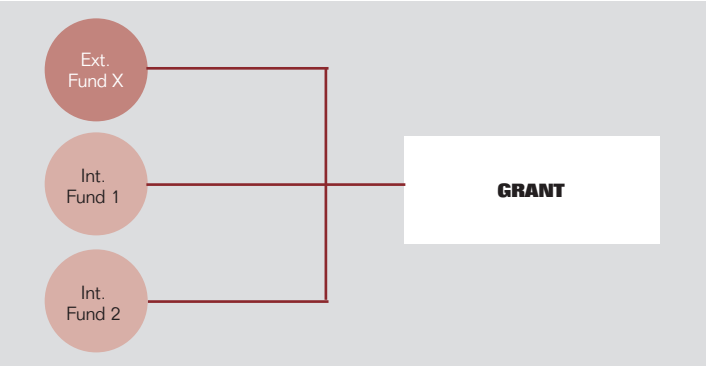


Figure 10: Grant Assignment to Funds



## TIME AND EFFORT (CERTIFIED PAYROLLS)

Time and effort, also called certified payrolls, keeps a detailed accounting of hours, rates, fringe benefits, and effort that employees spend on sponsored programs. In addition to salary and fringe benefit expenses, most sponsors require employees charged to their project to record the effort they spend working on the project or grant. Some organizations track effort based on time (hourly, half day, or daily), whereas others use a percentage recorded on a periodic basis, such as monthly or quarterly. In addition to recording actual time and effort, SAP Grants Management enables you to compare planned to actual time and effort recorded.

Sponsor salary caps are another consideration for time and effort reporting. Because some sponsors limit the amount an employee can charge to a specific project, a system must validate an employee's time to ensure the employee does not exceed the salary cap. Sponsors typically base a salary cap on an hourly wage or rate. To ensure that salaried employees do not exceed the cap, you must be able to convert employee salaries to an hourly rate. For example, an employee earning \$150,000 per year would make \$72.11 per hour ( $150,000/2,080$ , assuming 2,080 hours per year). As a result, if the salary cap were \$65.00 per hour, you would have to charge \$7.11 per hour of the employee's salary to its funds. Recording an employee's effort depends on the method your organization uses for ensuring compliance with a sponsor's salary cap requirements. Whatever method you use, it must record the employee's effort according to the sponsor's requirements.

Thus, requirements have been gathered to develop time and effort functions. Possible solutions for recording planned and actual time and effort include a variation of SAP® Cross-Application Time Sheet (CATS), although a new data entry interface may also be required. Delivery of this function is not definite at this point, although considerable effort has been committed to understand and document customer requirements. Future updates will be provided as planning for this new function progresses.

## COMPLEMENTARY FUNCTIONS

In addition to unique business processes, SAP Grants Management uses complementary SAP solutions, such as SAP Business Workflow, the records management capabilities of mySAP™ Public Sector, and status management, to support sponsored program administrative processes. Refer to the master data overview for the details on the use of statuses for SAP Grants Management.

### WORKFLOW

Workflow scenarios are planned for SAP GM. Workflow consists of a sequence of steps that a system or user processes automatically. SAP plans several workflow scenarios for SAP Grants Management, including a pre-award review and approval process. In a pre-award scenario, you prepare a formal application for submission to a sponsor. Before submitting the application, the proposal undergoes the sponsor's review process. SAP Grants Management uses workflow to route the proposal electronically throughout your organization to obtain the appropriate reviews and approvals according to your organization's requirements.

As each area reviews the proposal and completes its task, workflow determines the routing of the proposal and the next action required. The workflow process authorizes specific users to approve, reject, forward, or update the document. Finally, workflow interprets the status of the proposal (whether the organization has approved, rejected, or updated it), and routes it accordingly until it meets the last condition and completes the review procedure.

Workflow also enhances efficiency and communications. Some organizations have detailed, sophisticated, and ever-changing protocols that complicate the communication of requirements to the organization's users. Workflow enables you to implement and route protocol changes immediately, causing less upheaval to your organization and employees.

Because users do not require a comprehensive understanding of the review protocol to obtain the organization's approval on a proposal, they can perform their routine tasks. Workflow makes the review and approval processes more efficient because you do not have to communicate changes in the system to users or retrain them on the new process.

SAP plans additional workflow scenarios for SAP Grants Management, including review, change, and approval of grant master data and grant budgets; availability checking notifications, and grant closeout processes.

### RECORDS MANAGEMENT WITH mySAP™ PUBLIC SECTOR

SAP Grants Management provides authorized personnel with complete online access to all documents relating to a grant. This function is greatly needed because sponsored program administration involves managing vast amounts of documentation from the proposal and application stages to the completion of a project. Your organization receives documentation in many forms, including electronic documents, word processing files, spreadsheets, and CAD drawings. Using the records management capabilities of mySAP Public Sector, you can store such documentation as grant pre-award documents, grant master data, grant budget documents, sponsor award documents and correspondence, and organization correspondence.

SAP Grants Management addresses documentation management issues by collecting and storing all grant and sponsor information in a centralized area to allow easy access and flexible document searches. You can also use the records management capabilities of mySAP Public Sector to integrate external documents.

SAP Grants Management also provides templates, which contain a basic framework of the type of documentation that apply to grants. These models determine the record types that are available when assigning the grant to a model. SAP Grants Management uses the grant type to link a grant to a model so that when it assigns a grant type to a grant, it makes the model accessible. SAP Grants Management ensures that you can easily create and customize models to meet your requirements.

The records management capabilities of mySAP Public Sector use a hierarchy to store documents and authorizations to restrict access to documents and to integrate with workflow scenarios. SAP Grants Management enables document storage by grant within a prescribed hierarchy, and it lets you define security authorizations to limit access to grant information to the appropriate personnel. For example, central users in the sponsored programs office may have full access to all grant documents, whereas you may restrict project managers to documentation for grants for which they have specific responsibility.

In addition, you can use workflow scenarios with grant documents in mySAP Public Sector to assist the person responsible for approving the request with the appropriate online information pertaining to the grant. The system could also store the history related to the grant pre-award process, proposals, and the actual application in mySAP Public Sector. You can retrieve such documents as needed.

## **SAP® SCHEDULE MANAGER**

SAP Schedule Manager provides an integrated workplace for defining, scheduling, and monitoring periodic processes; handling batch jobs, batch job workflows, and mass processing; and handling error analysis and correction. Although you can use SAP Schedule Manager for periodic processes, its traditional use is as a period-end processing tool. SAP Schedule Manager, designed to support nontechnical users, helps you:

- Design the business process
- Schedule the business process
- Monitor jobs as users execute them
- Analyze jobs as users execute them
- Correct and analyzing errors
- Write documentation

Figure 11 illustrates the SAP Schedule Manager architecture.

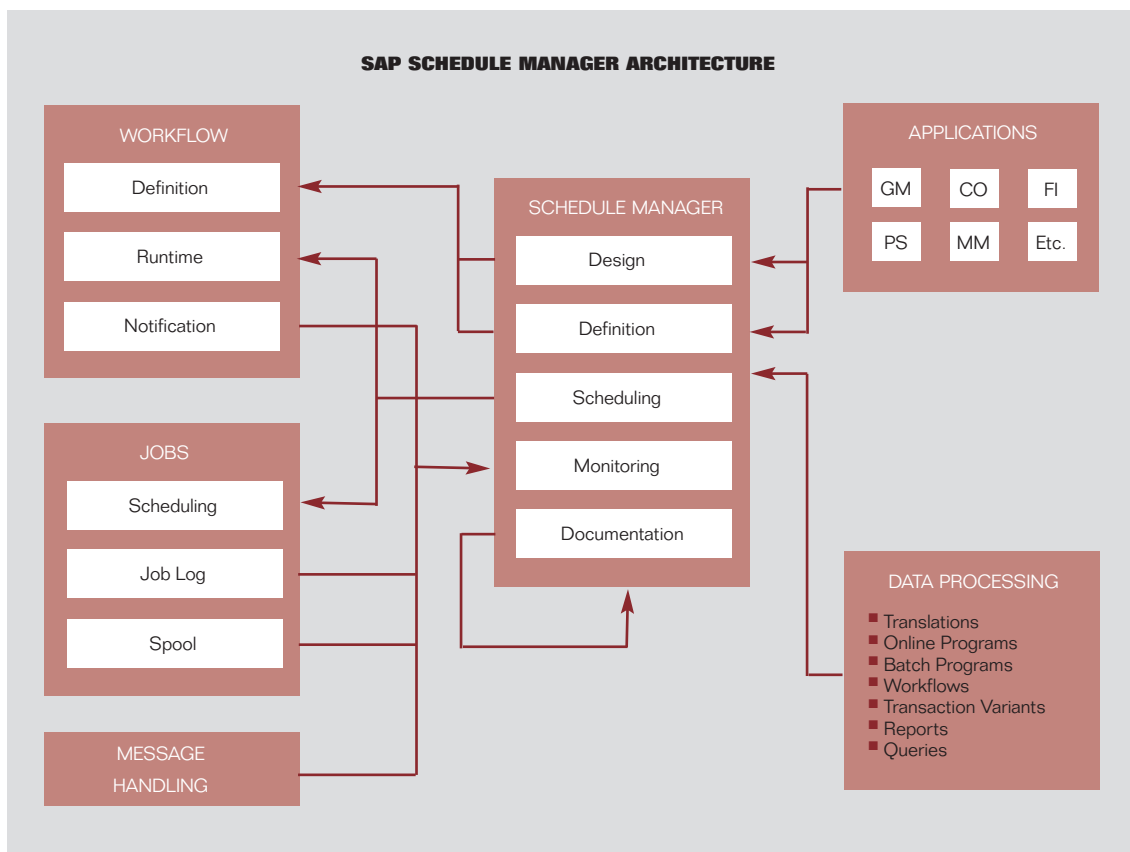


Figure 11: The SAP Schedule Manager Architecture

Possible uses for SAP Schedule Manager in SAP Grants Management include:

- Grants management billing
- Grants management indirect cost calculation
- Calculating overhead in SAP Controlling
- Settlements
- Financial reporting
- Closing operations

## CLOSEOUT

The SAP Grants Management closeout features help you complete the life cycles of your sponsored programs. Part of the closeout process includes a final review of financial transactions and administrative tasks to ensure that proper action is taken to conclude the programs and projects according to a sponsor's requirements. To assist with these activities, SAP Grants Management enables you to create customized closeout rules that meet sponsor guidelines and requirements. For example, you can create rules for:

- Updating master data settings to restrict or prevent additional postings
- Reviewing and acting on outstanding obligations
- Detailing the steps that a sponsor requires to prepare financial and technical reports
- Maintaining program and grant stages of completion
- Detailing all steps to satisfy organizational reporting requirements

SAP Grants Management also enables you to create work lists for employees who are responsible for managing grant closeout activities. Work lists have a variety of uses, including helping you perform closeout procedures. Work lists allow you to apply a single task to multiple objects, which is useful for preparing a grant's post-award reporting requirements. For example, you could generate a preliminary invoice on the termination date of a grant, which you could then use to review postings in preparation for the final invoice to the sponsor.

## REPORTING

A major challenge for organizations with sponsored program activities is balancing externally required financial reporting with internal reporting needs and business processes. SAP Grants Management provides the data elements and financial information required to manage the program effectively from both the sponsor's and grantee organization's perspectives. SAP Grants Management accomplishes this by recording financial transactions based on an organization's internal structure while simultaneously translating these transactions and applying them to a sponsor's desired financial view.

Basic differences between a sponsor and a grantee organization can include fiscal years, budget period dates, expense and revenue categories, and currency - all of which require that each entity maintain a separate view for that specific reporting purpose. These separate views allow you to review and monitor financial transactions according to your organization or sponsor requirements and to make decisions accordingly.

In addition to financial reporting, SAP Grants Management produces statistical and summary reports to help you manage such sponsored program activities as funding success rates, sponsor applications submitted versus applications funded, and other metric information. SAP will include these types of reports in SAP Grants Management after incorporating basic grants management reporting requirements. Some basic reports are available, but the diversity of such reporting requirements, data elements, and tables requires that SAP Grants Management allow the creation of custom reports.

SAP Grants Management will employ the following tools to satisfy reporting needs:

- SAP® Business Information Warehouse (SAP® BW)
- Report Writer
- Report Painter
- Drill down
- Forms

## INTEGRATION WITH mySAP.com®

Because integration is a fundamental principal of SAP R/3, SAP incorporates or will incorporate integration capabilities for the following components:

- **SAP Human Resources**  
Planning-position management, travel, time, and effort
- **SAP Materials Management**  
Purchase requisitions, purchase orders, goods receipt/goods issue, invoices
- **SAP Controlling and SAP Project System**  
Proposal and application planning, internal cost allocations, and postings
- **SAP Financial Accounting**  
Accounting documents
- **SAP Funds Management**  
Organizational budgeting and availability checking, earmarked funds
- **SAP® Asset Management**  
Depreciation and asset details
- **SAP® Plant Maintenance**  
Maintenance order postings

Integration will be used to complement and enhance SAP GM functions. For example, you can transfer planning data from SAP Controlling and SAP Project System to SAP GM during the grant proposal phase. When funding from the sponsor is received, you can update the grant budget and then transfer it to SAP Funds Management. The ability to transfer budget data between SAP R/3 components eliminates the need for duplicate entry and promotes accuracy.

In addition to transferring SAP Grants Management budget data to SAP Funds Management, you can maintain and perform funds availability checking in both SAP Grants Management and SAP Funds Management. Based on the sponsor or grant's requirements, you can operate SAP GM and SAP FM availability checking independently or together to control spending.

In SAP Grants Management, you use the grant budget to maintain spending rules and tolerances and to control postings at the sponsored program or sponsored class level. This creates funds availability checks from a sponsor's perspective.

In SAP Funds Management, you maintain availability checking at the fund, funds center, and commitment item level so you can control funds availability in SAP Funds Management from your organization's and the sponsor's perspective. You can use the two solutions in tandem or independently, depending on your requirements. The flexible nature of availability checking in SAP Grants Management and SAP Funds Management provides you with the ability to address all business requirements.

In addition, SAP Grants Management maintains its own ledger using an SAP® Financial Accounting split ledger technique, which allows for a balance sheet by grant. Figure 12 depicts the flow of data from SAP R/3 components into SAP Grants Management. The flow of transactions from other components into SAP Grants Management allows you to view the transactions from the sponsor's perspective based on the grant's administrative guidelines and requirements. This separate view is important to relating your organization's transactions based on such sponsor and grant criteria as fiscal year variant and currency.

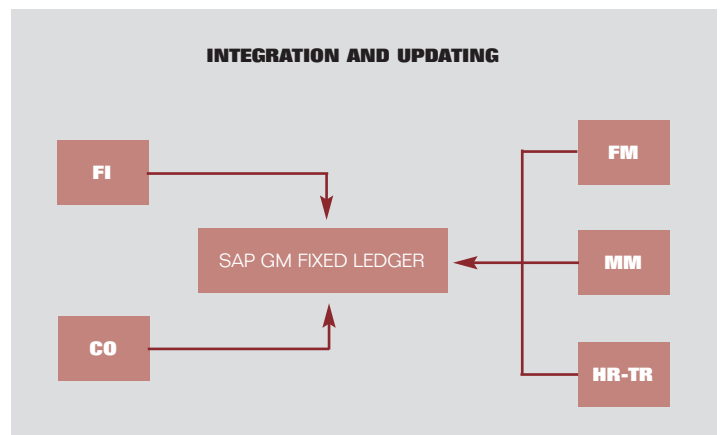


Figure 12: Grants Management Integration and Updating

SAP will also integrate SAP Asset Management and SAP® Plant Maintenance with SAP Grants Management to help manage equipment purchased and built with sponsor funds. Based on sponsor requirements, these components will help SAP Grants Management account, track the disposition of, and report on grant assets to meet sponsor guidelines.



## SUMMARY

To win sponsored program funding in a competitive environment and to provide for an overall administrative structure, organizations are developing detailed management systems to provide their employees with the tools they need to gain an edge over other organizations that are vying for the same dollars. Organizations need systems that provide an integrated approach to streamlining their review and approval processes, deliver tools to enhance the opportunities for success, and support collaboration between colleagues. At the same time, such systems must balance these values with sponsors' and organizations' guidelines and requirements.

SAP Grants Management supports these ideas as an integrated add-on to SAP R/3 by providing solutions that support all business processes, from pre-award activities to post-award accounting and reporting. With SAP Grants Management, your organization can implement a total sponsored program management solution. SAP Grants Management's functions and tools provide you with the competitive edge you need to thrive in today's sponsored funding environment.



## GLOSSARY

### A

**application:**

A potential grantee's external solicitation for funding from a sponsor or grantor

**award:**

Funds that the sponsor has obligated for a particular project

### B

**block grant:**

Sponsor-provided funding that the grantee organization distributes to other organizations or individuals based on specified criteria, such as demographic information

### C

**certified payroll:**

A detailed accounting of employee hours, rates, and fringe benefits that grantee expends on sponsor grants

**competitive award:**

A grant that a sponsor bestows upon the recipient based on evaluation of applications from several potential grantees

**contract:**

A legal instrument used to procure a product or service that specifies both sponsor and recipient obligations

**cooperative agreement:**

A legal instrument establishing a funding relationship for a project that requires substantial sponsor involvement.

**cost sharing (see matching grant):**

A portion of total expenses that parties other than the sponsor contribute to a sponsored project or program

### D

**direct costs:**

Clearly identifiable expenses related to a specific sponsored project

### E

**eligible costs:**

Amounts expended for sponsor-funded program activities, based on rules that the sponsor establishes

### F

**formula award:**

Amount of the award determined by sponsor based on statistical or financial information provided by the grantee

**fund, external:**

Financial support or resources that outside sources (such as sponsors) contribute to an organization

**fund, internal:**

Financial support or resources that inside sources (grantee or contractor) contribute to help subsidize sponsored program activities

### G

**grant:**

Assistance award and legal instrument that allows a sponsor to transfer money to a grantee when no substantial involvement is expected between the sponsor and grantee during the performance of the contemplated activity.

**grant contract:**

A formal agreement between sponsor and grantee that obligates the sponsor to provide funds to the grantee, subject to sponsor restrictions.

## **G**

### **grantee:**

(Sometimes called contractor.) Organization or other entity that receives a sponsor grant and assumes legal, financial, and management responsibility and accountability for the awarded funds and for the performance of the grant-supported activity.

## **I**

### **indirect costs:**

Costs related to expenses incurred in performing or supporting program activities, but not directly attributable to a specific project

### **indirect cost rate:**

A method for determining the proportion of indirect costs a sponsored program should bear; the ratio (expressed as a percentage and established by negotiation with the sponsor) of the indirect costs to a direct cost base

### **ineligible costs:**

Amounts expended for sponsored program activities that sponsored funds cannot finance based on rules that the sponsor establishes.

### **intellectual property:**

Valuable, intangible assets created during research and development activities that the creators can patent and own in the same way they can own physical property. Owners of such assets can accrue royalty payments for their use.

### **internal funds:**

Capital or other resources that a grantee contributes to help fund sponsored program activities

## **I**

### **indirect cost base:**

Pool or category of expenses used to calculate indirect costs. The appropriate indirect cost rate is applied to a base amount known as modified total direct (MTDC), which is the total direct costs (TDC) less equipment, capital expenditures, patient care charges, tuition remission, rental costs of off-site facilities, scholarships and fellowships, and portions of each subgrant or subcontract in excess of \$25,000.

## **L**

### **lump sum funding:**

A single payment for the total amount due, rather than a series of periodic payments. Eligible cash expenditures are deducted from a specific, discrete amount of money previously given to the grantee by the sponsor.

## **M**

### **matching grant (see cost sharing):**

A grant that requires a specified portion of the sponsored program costs be obtained from other sources, such as the grantee

## **P**

### **pass-through funding:**

Grants awarded to a grantee organization that the grantee distributes to a third party

### **periodic payment:**

Predetermined amounts of cash that the sponsor provides the grantee at regular intervals without regard to actual, eligible cash expenditures made

### **pre-award costs:**

Costs incurred prior to the effective date of an award or a budget period

## **P**

### **program income:**

Income that grantee organization earns that is attributable to a project or project activity that a sponsor fully or partially supports

### **proposal:**

An application for sponsor funding that contains all information necessary to describe potential grantee's project plans, staff capabilities, and funds requested

## **R**

### **recipient:**

Organization or individual receiving sponsored fund payments for providing goods and services to the sponsor

### **reimbursement funding (cash-based):**

Funds that the sponsor repays to the grantee for eligible, sponsored program cash expenditures made by the grantee

## **S**

### **sponsor-driven award:**

Grant that the sponsor solely selects and bestows

### **sponsor:**

(Sometimes called grantor) Organization or individual funding a project or program with external financial assistance or contracts

### **sponsored class:**

Expense and revenue categories of an external organization

### **sponsored funds:**

Financial assistance or contracts provided to others to further the programs of the sponsoring entity

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### **sponsored program:**

The functions, tasks, and funding necessary to meet the objectives of an external organization

### **subcontractor:**

Organization or individual providing goods and services to a contractor or receiving payments from (or on the behalf of) a contractor

### **subgrantee:**

Organization or individual receiving funds from a grantee for further distribution

### **subrecipient:**

Organization or individual receiving payments from (or on the behalf of) a recipient

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